

Cost Allocation Plan

Catholic Community Services Western Washington
d/b/a Catholic Community Services King Co.

Catholic Community Services King Co. (CCSKC) is a non-profit social service organization and a division of Catholic Community Services of Western Washington (CCSWW). CCSKC provides a wide range of social services within King County, Washington. The organization receives funding from a variety of sources including private contributions, United Way of King Co., Federal, State, County and local Government contracts and fees collected from individuals for services provided.

The purpose of this cost allocation plan is to provide guidelines for the allocation of cost to the various cost centers that are consistent with the requirements of government contracts. The underlining principle of the plan is to allocate costs in a method that represents the benefit received by the cost center of those expenses.

Definition of Costs

CCSWW has identified three classifications of costs that it accounts for. *Direct costs* include all costs incurred specifically and solely for the performance of a cost center. An example of a direct cost would be the salaries of direct service providers in a given cost center. *Shared direct costs* are defined as costs that are necessary for the operations of a cost center, but are shared among two or more cost centers. An example of a shared direct cost would be any of the costs associated with the management of any of our three family centers. *Indirect costs* are costs defined as costs that are necessary for the overall operations of the organization. It is important to note that for a cost to be considered to be an indirect cost, it must benefit all of the cost centers of the organization. Examples of indirect costs are the accounting expenses of the organization.

Specific Allocation Methods

Direct Costs: Direct costs shall be charged to the cost center benefited by the expense incurred. It is the intent of this allocation plan to directly expense as many expenses as possible. Therefore, when accurate accumulators of expenses are available; the resulting costs shall be directly charged based upon those accumulations. Examples would include long distance phone costs detail reports; copy machine counters and postage machines that provide a journal of which cost centers incurred the costs.

Shared Direct Costs: Shared direct costs shall be allocated to cost centers in relationship to the benefit received by the cost center. Charges shall be considered to be in reasonable proportion to the benefit received if the charge is based upon time distribution records, random moment time samples, equivalent work units or space utilization. The following chart demonstrates the allocation methods of shared costs adopted for each specific line item expense:

Shared Expense Categories:

Salaries and related payroll expenses
Office Supplies
Telephone
Postage
Occupancy
Equipment rental and maintenance
Printing
Travel
Conferences
Dues and fees
Miscellaneous
Technology

Allocation Methods:

Equivalent work units
Equivalent work units
Equivalent work units
Equivalent work units
Square footage or Equivalent work units
Equivalent work units
Equivalent work units
Equivalent work units
Equivalent work units
Equivalent work units
Equivalent work units
Equivalent work units

Shared direct costs that are allocated using the equivalent work units method shall be posted into one or more *Shared Cost Allocation* cost centers during the current accounting period and then allocated to the appropriate cost centers at quarter end. The shared cost allocation cost center shall have zero balances in all line items after the quarter end allocations have been performed. Salary costs that are allocated based upon time studies shall be set up in the ADP payroll files for those employees and allocated to the appropriate cost center at the time the payroll is posted to the general ledger.

Indirect Costs: Indirect costs shall accumulate in four administrative cost centers--accounting, human resources, office of agency director, and general administration. The costs of fund development cannot be charged to government funded cost centers and are not considered to be indirect costs. Indirect costs shall be allocated as follows:

- *Accounting Costs:* based upon the % of total expenses in the cost center relative to the total costs of the agency.
- *Human Resources Costs:* based upon the % of total employees in the cost center relative to the total nonadministrative employees in the agency.
- *Office of Agency Director:* based upon the % of total employees in the cost center relative to the total nonadministrative employees in the agency.
- *General Administration:* based upon the % of total employees in the cost center relative to the total nonadministrative employees in the agency.

The basis for the allocation of shared direct and indirect costs shall be recalculated no less than twice each year, when a significant change (such as the addition or deletion of a contract) occurs or as required by a contract condition.